

## Message Text

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INFO OCT-01 ISO-00 CIAE-00 PM-07 INR-11 L-03 ACDA-19

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AMEMBASSY PARIS

NSE/NSSG BRUSSELS

C O N F I D E N T I A L SECTION 1 OF 2 USNATO 4069

E.O. 11652: GDS: 12-31-80

TAGS: NATO, XG, ETRN

SUBJ: REPORT OF CENTRAL EUROPE PIPELINE POLICY COMMITTEE (CEPPC)

MEETING OF 18-19 JULY 1974

DEFENSE FOR OASD/I&L, MR. NORLAN AND COMP, MR. UMBARGER; STATE  
FOR EUR/RPM, MR. REHFELD; JCS FOR J-4 PETROLEUM; USCINCEUR FOR  
J-4/7 JPO; AMEMB PARIS FOR MR. HUMPHREYS; NSE/NSSG FOR MR. MINER.

REFS: A. USNATO 3799; B. STATE 155425; C. USNATO 3631; D. STATE 154473

E. USNATO 3897; F. STATE 121045

BEGIN SUMMARY. JULY CEPPC MEETING COVERED MAJOR ITEMS OF NEW  
COST-SHARING FORMULA (REPORTED BY SEPTTEL) AND INITIAL EXCHANGE  
OF VIEWS ON THE SPECIAL REPORT OF THE NATO BOARD OF AUDITORS.  
COMMITTEE APPROVED ITEMS ON 1975 BUDGET SCREENING ARRANGEMENTS,  
THIRD 1974 SUPPLEMENTARY BUDGET, TRAPIL ADMINISTRATIVE AND  
TECHNICAL EXPENSE ADJUSTMENTS FOR PAST YEARS (SUBJECT TO US  
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CONFIRMATION). DISCUSSION OF 1974 CONTRIBUTIONS RESULTED IN CEPS  
NATIONS (OVER US OBJECTION) REQUESTING CEPPC CHAIRMAN TO SEND  
LETTER TO USNATO AMBASSADOR (WITH COPIES TO SYG AND CINCENT),  
POINTING OUT SERIOUSNESS OF FINANCIAL SITUATION OF CEPS IF US

CONTAINUES ITS PRESENT POSITION OF WITHOLDING CEPS CONTRIBUTIONS  
IN EXCESS OF 12 PERCENT PENDING REVISION OF COST-SHARING FORMULA.

ACTION REQUESTED: WASHINGTON CONFIRMATION OF US POSITION ON  
CONTRIBUTIONS TO CEPS BY 26 JULY. END SUMMARY

COMMENTS ON AGENDA ITEMS FOLLOW.

## II. FINANCIAL PROBLEMS TO BE STUDIED BY CEPPC

### (A) COST-SHARING FORMULA FOR THE CEPS

ALL-DAY DISCUSSION ENDED WITH FOUR COUNTRIES (BELGIUM,  
NETHERLANDS, CANADA AND UK) AGREEING TO GENERAL MANAGER'S PROPOSED  
COST-SHARING FORMULA. FRANCE AND GERMANY HAD NO POSITION ON FORMULA  
AND US WOULD NOT AGREE (US SHARE IN FORMULA WAS 24 PCT). DETAILS  
CONTAINED IN SEPTTEL.

### (B) FINANCIAL QUESTIONS OF DETAIL

ALSO CONTAINED IN SEPTTEL REFERRED TO IN PRECEDING PARAGRAPH.

## III. SPECIAL REPORT BY THE NATO BOARD OF AUDITORS

COMMITTEE HELD INITIAL EXCHANGE OF VIEWS ON THE GROUP OF  
RAPPORTEURS' REPORT (PREVIOUSLY POUCHED WASHINGTON AS REPORTED  
BY REF A) WITHOUT ARRIVING AT A SOLUTION. DISCUSSION INCLUDED COMMENTS

ON ISSUE "A" (SPECIAL PAYMENTS BY OIL COMPANIES TO TRAPIL), ADDRESSING

LEGAL AND MORAL OBLIGATIONS OF FRENCH AGENCIES TO NOTIFY COMMITTEE  
OF ADDITIONAL REVENUES TO TRAPIL, AND COMMENTS ON ISSUE "B" CONCERNING

THE NATO AUDIT PROCEDURES FOR THE FRENCH PORTION OF CEPS. THERE  
WAS GENERAL AGREEMENT THAT RAPPORTEURS' REPORT REPRESENTED FAIR  
PRESENTATION OF FACTS AND THAT CONCLUSIONS AND RECOMMENDATIONS  
WERE REASONABLE AS FAR AS THEY WENT. US INITIAL POSITION PAPER  
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PROVIDED BASIS FOR SOME GENERAL DISCUSSION, ALTHOUGH SEVERAL  
COUNTRIES (BELGIUM AND NETHERLANDS) EXPRESSED DESIRE TO RESOLVE  
NEW COST-SHARING FORMULA FIRST, HOPING THAT SUCH A FORMULA MIGHT  
SATISFY POSSIBLE INEQUITY INDICATED IN RAPPORTEURS' REPORT AND  
THUS PRECLUDE FURTHER DETAILED DISCUSSION OF PROBLEM. AS RESULT  
OF US FOCUSING ON MAJOR POINTS OF OUR INITIAL POSITION PAPER,  
DISCUSSION REVEALED GENERAL COMMITTEE SUPPORT FOR PRIMARY EMPHASIS  
ON PRECLUDING FUTURE RECURRENCE OF SITUATION INVESTIGATED IN REPORT  
(IN ACCORDANCE WITH GUIDANCE RECEIVED IN REF B). FRENCH REP  
(GENTILHOMME) MADE POINTS THAT THERE WAS NO CONNECTION BETWEEN  
ISSUE "A" AND ISSUE "B" AND THAT FRENCH HAD NOTHING TO HIDE (REFERRING

TO FACT THAT CEPPC WAS NOT INFORMED OF SPECIAL PAYMENTS BY OIL

COMPANIES TO TRAPIL) BUT THAT FRANCE HAD ACTED WITHIN THE COMMITTEE'S INSTRUCTIONS TO "HARMONIZE" PROFITS. US POSED QUESTIONS FOR COMMITTEE TO CONSIDER: (1) SHOULD PREVIOUS GENERAL MANAGER HAVE PASSED TO CEPPC INFORMATION WHICH FRENCH PROVIDED HIM ON CONFIDENTIAL BASIS IN REGARD TO SPECIAL PAYMENTS; (2) WERE FRANCE'S ACTIONS PROPER;

(3) IF NOT, WHAT IS REQUIRED TO CORRECT SITUATION. DISCUSSION ENDED WITH COMMITTEE'S INTENTION TO RESUME CONSIDERATION OF REPORT, PROBABLY AFTER RESOLUTION OF COST-SHARING FORMULA.

#### IV. CONTINUED OPERATIONS LE HAVRE-VALENCIENNES, COST ANALYSIS

ITEM DEFERRED. AS REPORTED REF C, US HAS NOT AGREED TO CONTRACT EXTENSION, PENDING COMPLETION OF REVIEW OF COST STUDY RECEIVED DURING MEETING.

#### V. ARRANGEMENTS FOR THE SCREENING OF THE 1975 BUDGET

IN EFFORT TO STREAMLINE CEPS BUDGET REVIEW AND APPROVAL PROCESS, COMMITTEE ADOPTED PROPOSAL INITIALLY OFFERED BY NETHERLANDS REP (HOFMAN). FOR THIS YEAR A SMALL WORKING GROUP, CONSISTING OF ONLY ONE MEMBER PER NATION AND ONE AFCENT REP, WILL GO TO CEOA HEADQUARTERS TO SCREEN BUDGET WHICH CEOA WILL HAVE IN DRAFT FORM. THE COMMENTS OF THIS SMALL GROUP WILL BE PRINTED AND CIRCULATED WITH THE BUDGET, OR AS SOON THEREAFTER AS POSSIBLE. WORKING GROUP WILL COMMENCE ON 1 OCT THIS YEAR. EACH NATION, UPON RECEIPT OF BUDGET AND WORKING GROUP COMMENTS, WILL HAVE OPPORTUNITY TO MAKE WRITTEN COMMENTS ON BUDGET. THE JOINT CEPPC/CEPO MEETING IN DEC-  
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EMBER WILL THEN MEET TO APPROVE BUDGET BASED UPON THE ABOVE WRITTEN COMMENTS.

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VI. THIRD SUPPLEMENTARY BUDGET 1974 (AC/120-D/865)

US JOINED COMMITTEE (PER REF D) IN APPROVING DOCUMENT (SUMMARIZED IN REF E), WITH THE RECOMMENDATIONS OF CEOA AS MODIFIED BY GENERAL MANAGER, TO INCREASE THE PERCENTAGES OF UNBLOCKING OF DIVISIONS 1, 3 AND LHV FROM 25 PCT TO 50 PCT UNDER BUDGET CODE 07-2-3 FOR PLANT OPERATING MATERIALS.

CANADA, WITH COMMITTEE SUPPORT, REQUESTED THAT DIVISIONS ATTEMPT TO FIND ECONOMIES FROM WHICH FUTURE SUPPLEMENTARY BUDGETS COULD IN PART BE FINANCED, I.E., CREDITS FROM CERTAIN BUDGET CODES APPLIED AGAINST INCREASED EXPENSES IN OTHER BUDGET CODES.

VII. SPECIAL HANDLING CHARGE FOR PUMPING OPERATIONS FROM OLDENBURG TO FARGE

DOCUMENT APPROVED BY COMMITTEE (1.5 CEPS UNITS PER CUBIC METER FOR TARIFF), WITH LAST PARAGRAPH DELETED SO THAT EACH COSE WILL BE BROUGHT TO COMMITTEE FOR CONSIDERATION.  
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VIII. ADMINISTRATIVE AND TECHNICAL EXPENSES OF TRAPIL FOR THE OPERATION OF THE CEPS IN FRANCE IN 1972 (AC/120-D/868)

DOCUMENT COVERS ADJUSTMENTS TO COVER TRAPIL EXPENSES FOR YEARS 1970, 1971, AND 1972. GENERAL MANAGER STATED THAT AMOUNTS ARE IN ACCORDANCE WITH PREVIOUSLY-AGREED FORMULA FOR TRAPIL EXPENSES. AMOUNTS IN DOCUMENT REPRESENT THE DIFFERENCE BETWEEN WHAT CEPPC APPROVED FOR TRAPIL EXPENSES IN BUDGETS FOR 1970, 1971, AND 1972 AND THE ACTUAL COSTS INCURRED BY TRAPIL. CEOA HAS REQUESTED FRENCH TO CORRECT SITUATION BY MORE REALISTIC AND COMPLETE PREPARATION OF THIS ITEM FOR ANNUAL BUDGET. CANADA JOINED US IN ASKING THAT A MORE DETAILED DESCRIPTION BE PROVIDED OF ITEMS IN DOCUMENT. COMMITTEE AGREED THAT EXPENSES BASED UPON PREVIOUSLY-AGREED FORMULA FOR CALCULATION MUST BE REGULARIZED BUT THAT FORMULA FOR CALCULATION CAN BE CHANGED IN FUTURE IF TRAPIL EXPENSES ARE NOT IN LINE WITH THOSE OF OTHER HOST COUNTRIES. COMMITTEE, SUBJECT TO CONFIRMATION BY US, AGREED TO REGULARIZE ADJUSTMENTS IN DOCUMENT, WITH INSTRUCTIONS TO CEOA TO REPORT BACK TO CEPPC ON COMPARISON OF SUCH TRAPIL EXPENSES WITH THOSE OF OTHER COUNTRIES. ADJUSTMENTS REPRESENT NEW COST INCREASE OF FF 1.7 MILLION FOR YEAR AND IS INCLUDED IN RECENT GENERAL MANAGER ESTIMATES OF TOTAL NET COST FOR 1974 REPORTED REF C. MISSION COMMENT: IT DOES NOT SEEM USEFUL TO CONFIRM EXTRA PAYMENTS TO TRAPIL AT THE SAME TIME THEY ARE BEING ACCUSED

OF RECEIVING EXCESS PAYMENTS. SUGGEST NO FURTHER MOVEMENT UNTIL BOARD OF AUDITORS' REPORT QUESTION HAS BEEN SETTLED.

END COMMENT.

IX. INDEMNITY FOR LATE PAYMENTS

ITEM DEFERRED.

X. CONTRIBUTIONS 1974 (AC/120-D/870)

CEOA DOCUMENT INDICATES THAT DELAY OF COMMITTEE AGREEMENT TO NEW COST-SHARING FORMULA BEYOND SEPTEMBER MEETING WOULD RESULT IN INSUFFICIENT TIME REMAINING FOR CEPS NATIONS TO PROVIDE CONTRIBUTIONS SO THAT CEPS CAN CONTINUE ITS OPERATIONS WITHOUT POSSIBLE DEGRADATION. IN VIEW OF JULY MEETING DISCUSSION OF COST-SHARING  
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FORMULA, COMMITTEE MAY NOT REACH COST-SHARING AGREEMENT IN SEPTEMBER; THEREFORE, GENERAL MANAGER REQUESTED GUIDANCE BY CEPPC ON PROVIDING FOR CONTINUED CEPS OPERATIONS. COMMITTEE AGREED THAT NO MONEY SHOULD BE BORROWED TO COVER SUCH A CONTINGENCY.

GENERAL MANAGER ASKED IF US POSITION TO CONTRIBUTE ONLY 12 PERCENT OF 1974 CALLS FOR CONTRIBUTIONS HAD CHANGED. US REEP (WITKO) RESPONDED THAT US POSITION WAS AS REPORTED TO COMMITTEE AT LAST MEETING (WHICH INDICATES NO CHANGE, PER GUIDANCE REF F).

OTHER ALTERNATIVE FOR CEOA WAS NOT TO PREFINANCE OPERATING DIVISIONS OF HOST NATIONS, STARTING WITH MONTH OF NOVEMBER. HOST NATIONS INDICATED THAT THEY WERE NOT PREPARED TO CONTINUE OPERATIONS WITHOUT SUCH FINANCING. IN VIEW OF THIS, THE HOST NATIONS PROPOSED THAT A LETTER TO THE US AMBASSADOR TO NATO BE PREPARED ON THEIR BEHALF BY THE CHAIRMAN OF CEPPC, POINTING OUT THE SERIOUSNESS OF THE FINANCIAL SITUATION OF THE CEPS AND POSSIBLE SYSTEM DEGRADATION BROUGHT ABOUT BY US POSITION TO WITHHOLD CEPS CONTRIBUTIONS IN EXCESS OF 12 PERCENT. (COPIES OF LETTER TO BE SENT TO SYG AND CINCENT). US REP POINTED OUT THAT US HAD TAKEN POSITION ON WITHHOLDING CONTRIBUTIONS AS EARLY AS LAST NOVEMBER, IN EXPECTATION THAT THE COMMITTEE WOULD RESOLVE ISSUE OF A NEW COST-SHARING FORMULA PRIOR TO THIS TIME. THE COMMITTEE HAS NOT YET REACHED AGREEMENT ON A FORMULA SOME NINE MONTHS LATER. FINALLY, US REP EXPRESSED STRONG OBJECTION TO SENDING SUCH A LETTER BUT SUGGESTED RATHER THAT COMMITTEE AGREE TO APPROPRIATE FORMULA. THE CEPS NATIONS, OTHER THAN THE US, ASKED THAT ABOVE LETTER BE PREPARED ON THEIR BEHALF TO BE SENT OUT ON 26 JULY IF THE US HAS NO NEW INFORMATION AFFECTING THE MATTER TO PASS TO THE CHAIRMAN OF CEPPC. GENERAL MANAGER STATED THAT HE FELT HIS DUTY WAS TO INFORM CINCENT OF THIS SITUATION AND ITS IMPACT ON THE SUPPORT OF MILITARY FORCES, BUT THAT HE WOULD DEFER SUCH ACTION UNTIL 29 JULY, PENDING THE POSSIBILITY OF ANY NEW DEVELOPMENT BY THE US.

XI. MEETING DATES FOR 1975

ITEM DEFERRED.

XII. ANY OTHER BUSINESS

GERMANY PROPOSED NEW CIVIL TARIFFS FOR USE ON SOME OF THEIR  
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DIVISION LINES. MOST OF THE PROPOSALS RESULTED IN TARIFFS WHICH  
WOULD BE LOWER THAN THOSE FOR 1973 INSTEAD OF FOLLOWING THE CEPPC  
GUIDANCE FOR INCREASE OF APPROXIMATELY 15 PERCENT. COMMITTEE  
COULD NOT AGREE WITH THIS PROPOSAL AND ASKED GERMANY TO FURNISH

PRECISE DETAILS AND CEOA TO PROVIDE ANALYSIS OF PROPOSAL FOR  
COMMITTEE CONSIDERATION. COMMITTEE DID APPROVE CIVIL TARIFF

INCREASE FROM 6.20 TO 6.85 CEPS UNITS ON LINE PERNIS-FARGE, WHICH  
CAN BE ACCOMPLISHED UNDER PRESENT CONTRACT WITH MABANAFT, BUT WITH  
PROVISO THAT PROPER COORDINATION WITH THE NETHERLANDS' AUTHORITIES  
BE ACCOMPLISHED SINCE AGREEMENT IS FOR MOVEMENT WHICH COMMENCES  
OVER NETHERLANDS' SECTION OF CEPS.

XIII. DATE AND PLACE OF NEXT MEETING

COMMITTEE AGREED TO MEET NEXT ON 9 SEPTEMBER AT 2 PM TO CONSIDER  
ONLY A NEW COST-SHARING FORMULA. RUMSFELD

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<< END OF DOCUMENT >>

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